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GOVERNMENT OF NEW BRUNSWICK

CANADA-U.S. TRADE AGREEMENT

AN ASSESSMENT

December 15, 1987

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Forestry Sector

The export of New Brunswick forest products to the United States totalled $518 million in 1986, representing one third of our exports to that market.

Where tariffs are zero, New Brunswick plants are competitive and world scale. Where tariffs exist, our New Brunswick -- and indeed Canadian -- plants are generally scaled for Canadian domestic markets, and are not internationally competitive.

New Brunswick cannot increase the volume of forest products it currently exports, since the softwood forest is being utilized to the limit of its sustainable yield. Additional economic activity and employment can only be generated by further processing of the products we currently sell.

Current Tariff Regime

	U.S.	Canada	Duty Treatment
Woodpulp	Free	Free	Stays
Newsprint	Free	Free	Stays
Groundwood Paper - Uncoated	Free	Free	Stays
Writing Paper	2.4%	8%	5 years
Lightweight Coated Paper	2.5%	8%	5 years
Sanitary Tissue - rolls	5.3%	10.2%	5 years
Semi-Chemical Corrugating Medium	4.0%	10.2%	5 years
Veneer Sheets	Free	Free	Stays
Waferboard	4%	4%	5 years
Fibreboard	3%	9.2%	5 years
Plywood	20%	9.2%	10 years
Cases, boxes, crates	16 2/3%	15%	10 years
Drums	16 2/3%	9.2%	10 years
Barrels	2.8%	9.2%	10 years
Pallets	16.2%	9.2%	10 years
Window Frames	5.1%	9.2%	10 years
Windows	5.1%	12.5%	10 years
Doors and Frames	7.5%	11.3%	5 years
Shingles & Shakes	Free	Free	Stays
Cartons Boxes	2.8%	9.2%	5 years
Bobbins, Spools (of Pulp or Paper)	4.5%	10.2%	5 years
Toothpicks	4.2%	9.2%	10 years
Candy Sticks, Ice Cream Sticks, Tongue Depressors	8%	9.2%	10 years
Fencing	Free	Free	Stays
Clothespins	10¢/gross	9.2%	10 years
Canoe Paddles	Free	9.2%	10 years

Opportunities

It is significant that where no duties exist on forest products, New Brunswick is a major exporter to the U.S. Where tariffs do exist on both sides of the border, New Brunswick exports very little and, in most cases, does not produce the product. The removal of all tariffs provides the opportunity for the location of appropriately scaled plants in New Brunswick to compete on both the domestic and U.S. markets.

Opportunities by sub-sector include:

Pulp & Paper: The industry believes that removal of current tariffs will provide significant value added by allowing expansion into paper products and other more highly processed items.

Fine Paper: New Brunswick facility is latest technology (coated)world class; FTA will provide opportunities for further processing.

Plywood Veneered Panels: Non Structural Grades: FTA will be of significant benefit to the facility currently under construction.

Wooden Pallets, Boxes, Crates, Cable Drums: Will gain by elimination of tariffs; ample resource is available, leading to ample opportunities.

Waferboard - Particleboard: All current facilities are world class. FTA will open up opportunities for further processing.

Doors, Frames and Thresholds; Millwork:
Opportunities do exist for N. B. companies to expand market share in the U.S. and FTA may provide incentive.

Wood Furniture and Fixtures:
Our efficient plants can compete under FTA. Opportunities exist for highly automated, efficient plants since N. B. has resource base to support them.

Cabinet, Casegoods (incl. kitchen cabinets):
Efficient plants can compete in this market.

Softwood Lumber: Opportunities exist in further processing.

Hardwood Lumber: FTA may provide impetus for further processing.

Sub-sectors with no significant effect, positive or negative, include:

- newsprint
- hardwood flooring
- shingles & shakes
- coffins & caskets

Problems

Where Canadian products are protected, the domestic market is usually supplied by plants in central Canada. However, a few sub-sectors in New Brunswick would face adjustment:

Plywood: Canada has a distinct trading advantage with the U.S. in plywood. However, cheap Southern U.S. plywood would threaten the existing product produced on the Miramichi. The Miramichi plant would have to upgrade to a higher value product, thus providing some benefit to provincial consumers.

Note: there is a large market in specialty plywoods, providing opportunities.

Corrugated Cartons: New Brunswick plants could not compete at their present size. They would have to increase the scale of their operations at which point they could compete in the U.S. market. In any event the cost of cartons to all users would be reduced.

Windows, Frames: FTA will have a negative impact, with only one N. B. plant competing on the international market. Free Trade will release the market to cheaper U.S. imports. However, because of transportation and the custom nature of their work the smaller companies should not be greatly affected.

Fisheries

Primary Resource

No direct impact is anticipated on the primary resource base, since the major impact will be felt at the secondary processing phase of commercial activity. Control of the fishery remains in federal hands.

Processing

New Brunswick exported $191 million of fish products to the U.S. in 1986, mainly in the form of shellfish; fish, fresh or frozen; and fish, preserved or canned. Most of these products are now treated as duty free items. The bulk of product subject to duty will be exempt at the start of the Free Trade Agreement, while the remainder of the duties -- mainly on molluscs and crustacean products -- will be phased out over a five or 10-year period.

Opportunities

The phasing out of duties on more highly processed fish products -- such as fish sticks, breaded or battered portions, prepared meals or preserved fish product -- will offer opportunities to New Brunswick fish processors, and is welcomed by the industry. Much further value added (in terms of wages and profits) will be possible in all species groups when tariffs drop.

In particular, the tuna plant will benefit under the country of origin and 50 per cent value added requirement of the agreement, as well as the 35% duty removal on tuna product in oil over ten years. This would allow the plant to produce and export tuna in oil as well as water.

Secure access for higher value added products is essential for our industry.

The aquaculture industry will benefit due to the five-year phase-out of the three per cent duty now imposed.

Current Tariff Regime

	U.S.	Canada	Duty Treatment
Molluscs	Free - 5%	Free - 5%	Free 1989
Crustaceans	Free - 7.5%	Free - 8%	Free 1989
*Pelagic Fish, Prepared or Preserved	Free - 35%	Free - 17.5%	Free over 5-10 years
Salmon, in oil, canned	12.5%	3%	5 years
Herring, in oil, canned	8%	8%	10 years
Herring, kippered	4%	6%	Free 1989
Sardines, oil, airtight containers	15%	2¢/kg.	10 years
Tuna, oil, airtight containers	35%	14%	10 years
Tuna, other, airtight containers	12.5%	11%	10 years
+Ground Fish, Prepared or Preserved	Up to 15%	Free - 17.5%	Free over 5-10 years
Fish Sticks	15%	11%	10 years

* herring, mackerel, tuna, trout, etc.

+ sole, cod, flat fish

Agriculture

Agriculture in New Brunswick is not expected to benefit greatly or to be adversely affected by the Free Trade Agreement. The tariff reductions do not present a major problem since they are generally over a 10-year period, which should allow for any necessary adjustments to take place.

Our major agricultural export, potatoes, will see tariffs removed at the border.

New Brunswick is a relatively small agricultural producer, and our potential for growth will be based mainly on the continuance of federal/provincial development agreements.

Opportunities

Dairy: The dairy supply management system has come through the negotiations virtually untouched.

Red Meat: Our major opportunity will be to supply more of our provincial requirements. The potential for reduced feed costs because of the grain provisions of the FTA could lower costs of operations, and could also have a positive effect on hog operations.

Poultry & Eggs: Only continued increase in consumption will provide new opportunities.

Fruit & Vegetables: Opportunities should exist in this sector in such commodities as potatoes, cole crops and strawberries.

Grains: Our major opportunity will continue to be the move towards more self-sufficiency for the province.

Problems

Currently both ice cream and yogurt are on the U.S. import control list, but not on Canada's. This could create some problems, however, New Brunswick is attempting to have these products placed on the Canadian list.

The turkey, chicken and egg marketing boards have expressed concern over the possible granting of supplemental imports over and above the new quota level, since requests from processors are expected in order for them to remain competitive with U.S. processors. This is, however, a Canadian problem rather than one arising from the FTA.

Food Processing

Free trade will lead to both opportunities and some problems for New Brunswick's food processing industry.

Potential exists for the expansion of the frozen product market in the U.S. However, penetration of the U.S. market is difficult since brand loyalty and consumer awareness of U.S. products are large factors in the American consumer's buying pattern.

Marketing strategy and expense as well as the existing economies of scale and longer growing season of the U.S. are factors that will make this large market difficult to access. In addition, an FTA will introduce strong competition in the domestic market; domestic growing conditions and costs, as well as costs of production, contribute to higher prices.

Opportunities

Meat & Poultry:

The provisions for the feed industry will ensure lower cost raw materials to our beef and pork industry. There should be more imports of high quality beef cuts where transportation costs can be offset.

For lower value products there will be little disruption. There may be opportunities for some specialized meat products to expand into the U.S. market.

Beverages:	New Brunswick's large beverage sector will be mostly unaffected by the Free Trade Agreement: breweries are exempt from the agreement, while our soft drink producers are franchisees. In the case of the wine industry, what is lost to U.S. competition may be made up on a regional basis through elimination of interprovincial trade barriers.
Dairy Products:	Opportunities for growth are limited. However, as long as fluid milk cannot cross borders, and if, as expected, ice cream and yogurt are added to the import control list, there should be no major problems.
Bakery:	The bakery sector serves a provincial and regional market and will not be greatly affected by the agreement.
Feed:	No changes are expected to imports or exports of these products.
Confectionery:	Potential exists for the small confectionery firms since they have a low, flexibly priced product and the major part of their present market is Canadian.

Problems

Certain products will face problems with the advent of free trade. Pizza products will be affected, particularly since U.S. cheese is significantly cheaper than the Canadian product. While cheese is on the import control list, current regulations do not permit special import controls for processors. However, it is within the authority of the federal government to permit imports for this purpose.

This restriction may be partially offset by the fact that the Federal Government will discontinue its policy of two-price wheat, so that flour for the pizza crusts will be available at the world price.

Also, our major confectionery producer expects problems from the Free Trade Agreement. Once tariffs have been eliminated, the U.S. is still able to impose quota restrictions on confectionery items from Canada whenever it feels such action is warranted, whereas Canada has no such controls in place. In addition U.S. confectioners are large scale and have access to cheaper raw materials.

As a partial solution the reasoning behind U.S. quota imposition should be clearly established so that the industry is fully aware of what would invite such imposition.

Secondary Manufacturing

There is overall support for the Free Trade Agreement on the part of the secondary manufacturing sector.

Most industries are small, and a substantial number exist only in support of larger resource based industries. Competition from American companies is possible, but will not have a significant effect as the comparative advantage rests with the local firm.

The more stable and secure access to U.S. markets is a very positive feature of the FTA for our manufacturing firms, since many fear the threat of U.S. trade remedy laws.

Some industries in the sector, however, will face stiff competition from U.S. industries that produce to economies of scale.

Opportunities

Most companies in the sector are positive towards free trade and perceive opportunities in the much greater markets of the U.S.

Petroleum

New Brunswick is a major exporter of refined petroleum products to the New England market.

Current Tariff Regime

	U.S.	Canada	Duty Treatment
Crude Oil	5.25¢/bbl.	Free	5 years
Stove Oil	10.5¢/bbl.	Free	5 years
Motor Fuel	52.5¢/bbl.	Free	5 years
Lubricating Oils	84¢/bbl.	8%	5 years (U.S.) 10 years (Canada)

Opportunities

The removal of tariffs by both countries will lead to increased sales in the U.S. market through the removal of U.S. tariffs, and lower input costs from the removal of Canadian tariffs on input costs.

Consumer Benefits

New Brunswick consumers can expect to benefit through lower prices on bakery products due to the lower price of wheat and grain inputs; lower prices on U.S. imported wines as a result of lower mark-up on such product; lower prices on high value meat products because of diminishing duties on these products; and a greater variety of domestically produced prepared fish dishes and preserved fish products as a result of more companies endeavoring to further process the species of fish that they now handle.

In the wood sector, consumers should generally benefit as a result of the decrease in U.S. tariff rates, particularly for such products as waferboard and particleboard.

Generally, consumer goods should be less costly due to increased competition. These would include footwear, electric and electronic products, white goods (refrigerators, stoves), textile products and metalworking products.

The cost of used cars to the consumer will also go down; they may be imported free of duty within five years of implementation of the agreement.

Energy

From the point of view of New Brunswick, the Free Trade Agreement can only have a positive effect on its provincial electric utility.

The FTA guarantees the continuation of two National Energy Board tests, therefore, the agreement does not diminish New Brunswick's access to Canadian sourced energy. And, while there is no mandatory principle within the FTA to provide unconditional market access to the U.S., the agreement does provide a more direct and positive approach to dealing with disputes over regulatory measures.

About 90 per cent of the energy sold by NB Power to New Brunswick industry is for companies whose products are exported. Since the FTA will permit freer access to New Brunswick's largest export market and aid in stimulating industrial activity -- particularly in the resource sector -- NB Power's load growth will be increased.

Financial Services

The provisions of the Free Trade Agreement, which in essence allow increased access by U.S. financial institutions to Canadian markets, would not directly affect current employment or output in the Province. To the extent that there is increased competition in financial markets there would be benefits to New Brunswick consumers and businesses.

Provincially regulated financial institutions are not mentioned in the provisions applying to financial services.

Investment

It is anticipated that the provisions of the agreement will have little or no impact on the flow of U.S. investment to New Brunswick.

The Province traditionally has not imposed any restrictions on foreign investment in New Brunswick. The agreement will only reinforce this position.

Also, the FTA should enhance the advantage of New Brunswick's near market access to the vast northeastern U.S., both for existing producers and future investors.

Procurement

As a result of the Free Trade Agreement, the Governments of Canada and the United States will eliminate buy national restrictions on GATT code covered goods using a threshold of $25,000 US (approximately $33,000 Canadian). This low threshold will be of significant benefit to New Brunswick companies. The new window of opportunity exposes a U.S. market of three billion U.S. dollars to Canadian business. Conversely, American business has acquired approximately half a billion U.S. dollars worth of new Canadian markets.

The Free Trade Agreement is also expected to assist in removing barriers to interprovincial procurement. In this regard New Brunswick is uniquely positioned, with its language capability and proximity to the Quebec procurement market, to benefit substantially.

Mineral Sector

The Free Trade Agreement is perceived as highly favorable by the New Brunswick mineral industry. This industry is basically export oriented, and any move toward the liberalization of tariff barriers can only mean positive results for a highly competitive provincial industry.

The export of minerals and mineral products to the U.S. was more than $66 million in 1986.

Minerals are currently exported duty free to the U.S., including most concentrates or unprocessed products, due to a temporary suspension of duties. As these resources are processed, the duty increases, creating, in effect, a definite bias against the Province adding value to its mineral products. The FTA will help to change this situation.

The main fear of this sector has been the growth of U.S. protectionism; the dispute settling mechanism with regard to such protectionist measures as countervail and anti-dumping will be a definite plus.

Opportunities

The schedule of tariff removal from processed mineral products should add impetus to further processing within New Brunswick. Similarly, the removal of the tariffs may make marginal economics more favorable towards start-up of operations involving certain metals not now produced in the province.

In general free trade will make U.S. products more accessible to our resource producers and will allow further processing in New Brunswick without a penalty to the producer.

Current Tariff Regime

	U.S. Tariff	Cdn. Tariff	Duty Treatment
Zinc Alloy	19%	17.5%	10 years
Cadmium Alloys	5.5%	10.2%	5 years
Ammonium Para Tungstates	10%	9.2%	5 years
Calcined Dolomite	6%	9.2%	1989
Gypsum Wall Board	2.4%	9.4%	10 years
Rare Earth Metals & Ores	70.5¢/kg.	12.5%	5 years
Rare Earth Compounds	3.7%	12.5%	5 years
Molybdenum (Ore Concentrates)	19.8¢/kg. Metal Contained	Free	5 years (US)
Molybdenum (Compounds)	13.9¢/kg. + 1.9%	4%	5 years
Fluorite (97% plus)	13.5%	Free	5 years (US)
Fluorite (97% minus)	$2.07/tonne	Free	Free 1989 US
Indium	Free	4%	5 years (Cdn)
Manganese (Ore & Concentrates)	Free	Free	Stays
Manganese (Oxides)	4.7%	Free	5 years (US)
Gallium	3.7%	4%	5 years

Services

Services are a new area where the Free Trade Agreement has established disciplines. The agreement is future oriented and apart from a general code includes specific sectoral codes:

- Architecture
- Tourism
- Computer Services and Telecommunications-Network Based Enhanced Services.

This section of the agreement also includes specific temporary entry provisions for business persons. Generally the services section of the agreement is being looked upon with optimism.

IMPACT OF FREE TRADE ON NEW BRUNSWICK'S

MANUFACTURING AND PROCESSING INDUSTRIES

NOTE: The previous section provided an overview of the impact of the Free Trade Agreement on individual sectors of the New Brunswick economy.

The following section (pps. 1-33) gives specific details by sub-sector of the impact of the agreement on provincial manufacturing and processing industries.

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MANUFACTURING AND PROCESSING

MANUFACTURING

Primary Metal:

Plant Classification - S.I.C. Number - 29

Number Of Companies - 4

Products - Cast Iron and Cast Aluminum and Bronze

Constraints Under Free Trade - None envisaged

Opportunities Under Free Trade - Companies feel a larger market, particularly the New England States, will open to them. One company has been doing business in that area for the last two years.

Time frame for the elimination of tariffs - January 1, 1989

Machinery Industries

Plant Classification - S.I.C. Number 31

Number Of Companies - 55

Products - Commercial Refrigeration Products, Compressors, Material Handling equipment, Sawmill and Woodworking Machinery, Hydraulic Equipment.

Constraints Under Free Trade - None envisaged

Opportunities Under Free Trade - Most companies welcome the greater market potential which is next door.

Time frame for the elimination of tariffs - January 1, 1993

Transportation Equipment

Plant Classification - S.I.C. Number 32

Number Of Companies - 79

Products - Shipbuilding and Repair (Steel Boats Only), Motor Vehicle Engine Parts, Truck and Bus Body and Trailer Industries, Motor Vehicle Wiring.

Constraints Under Free Trade - No major ones foreseen

Opportunities Under Free Trade - Opportunities for a much larger market, some companies are presently enjoying a considerable market in the New England States.

Time frame for elimination of tariffs - January 1, 1999

Electrical and Electronic Products

Plant Classification - S.I.C. Number - 33

Number Of Companies - 32

Products - Communication, Electrical Industrial Equipment, Electrical Transformers, Telephone System Test Equipment, Computerized Mapping Systems

Constraints Under Free Trade - Majority of the Companies see no major constraints. Two companies, one manufacturing transformers and the others manufacturing circuit breakers feel free trade will be a deterrent.

Opportunities Under Free Trade - Most Companies already have a market link with the U.S. and welcome the larger market possibilities.

Effect On Domestic Consumers

Consumers feel that there will be a greater variety of electrical products and at less cost. Their knowledge of this comment appears to have come from U.S. home magazines.

Time frame for elimination of tariffs - January 1, 1998

Metalworking Sector

Plant Classification - S.I.C. Number 30

Number of Companies - 158

Products - Fabricated Metal Products Industries (except Machinery and Transportation Equipment Industries) including Machine Shop, Wire Products, Metal Doors and Windows, Ornamental and Architectural Metal Products, Stamped and Pressed Metal Products, Structural Steel and Heating Equipment.

Constraints Under Free Trade - Possible increased competition from U.S. manufacturers in isolated cases.

Opportunities Under Free Trade - Potential for lower material and component costs; increased sales.

Effect On Domestic Consumers - Should generally result in reduced costs.

Time frame for elimination of tariffs - Over a 5 to 10 year period

Leather and Allied Products

Plant Classification - S.I.C. Number 17

Local industry consists of one major manufacturer, Hartt Shoe Ltd, a Division of Church Industries which can meet U.S. competition in higher quality footwear. Company considers the Free Trade Agreement an opportunity for a market expansion, due in part to lower raw material costs.

Effect On Domestic Consumers - Consumers will probably benefit from reduced pricing of American footwear at the lower quality level.

Time frame for elimination of tariffs: 1998

Primary Textile Industries

Plant Classification - S.I.C. Number 18

Sector consists mainly of two companies

Products - Scotia Textile Ltd - Upholstery fabrics
Briggs and Little Woolen Mills Ltd., Spun Yarn and Wool

Scotia ships substantial quantities to the U.S. market at present. Briggs deals mostly with domestic market

The sector supports free trade. Phase-out of tariffs: 1998

Textile Products

Plant Classification - S.I.C. Number 19

Products - Sector consists of 24 companies manufacturing various products, nets, rope and twine, draperies, etc. Devoted primarily to the domestic market.

Neutral effect on the New Brunswick sector. Phase-out of tariffs: 1998

Effect On Domestic Consumers - The Free Trade Agreement would benefit consumer with larger choice locally and improved opportunity to a larger market.

Clothing Industry

Plant Classification - S.I.C. Number 24

There are 36 garment manufacturing companies, mostly "sewing satellites" serving the Montreal/Toronto contractor market. Chemise JML Shirt Ltee is the major manufacturer and The Free Trade Agreement would lower product input cost for the final product.

Neutral effect on the New Brunswick sector. Displacement of Canadian markets. Phase-out of tariffs: 1998.

Sound and Video Recording

Plant Classification - S.I.C. Number 39

Number of Companies - 11

Products - Sound and Video Recording Equipment as used in establishment or expansion of studios is currently imported at 8% duty and is eliminated in 1998.

Constraints Under Free Trade - The removal of the 8% tariff would have no appreciable effect as it only applies to what is used as capital equipment. The product produced by these studios is sold on the basis of creativity and quality production accompanied by personal service due to geographical locations. There does not appear to be a substantial export market or danger of U.S. companies being a significant force in the regional market.

Opthalmic Lenses

Plant Classification - S.I.C. Number 39

Number of Companies - 3

Products - Opthalmic lenses are currently subjected to an 8% import tariff and exported under a 7.2% tariff. These are removed in 1998.

Constraints Under Free Trade - Opthalmic Lens Laboratories number 3 at the present time and their production is essentially aimed at a New Brunswick market and to a small degree, the Maritime market. The product is produced to doctors' prescriptions and the profession tends to deal with a laboratory they will know well and have confidence in. The removal of tariffs would not be expected to have any measurable impact on this field.

Illuminated Signs

Illuminated Signs are imported at a rate of 11.3% and exported at 5.3%. These tariffs are to be removed in 1998.

The Illuminated Sign industry in New Brunswick has 9 companies of a relatively significant size for this industry. Their business tends to be quite regional with the notable exception of Imperial Signs Ltd. and Creative Productions Ltd., both of whom do business on a national scale. Their activity on a national scale has been due to the ability to provide a high quality product, imaginative design, competitive pricing and aggressive marketing. Imperial Signs Ltd. have been seriously looking at the U.S. market, but the existing tariff has not been considered to be an impediment. The removal of tariffs would not be expected to have any significant impact on this industry.

Musical Instruments

Musical instruments are now free of both import and export tariffs.

There is one manufacturer of cymbals in New Brunswick (Sabian Ltd.) and their aggressive approach to the world market will not be impacted in any way by the proposed agreement.

Dentures

Dentures are presently subject to a U.S. Tariff of 9% and 10.2% when imported into Canada. The duty will be removed January 1, 1998.

The product is produced by two major and two minor dental laboratories along with a significant number of Denturists. Provincial regulations require a licensed Dentist or Denturist to take the impression for the fitting of dentures. The impression is then sent to a laboratory. Whereas this product is very service sensitive, it appears unlikely that the removal of tariffs would have any impact on the manufacturers or consumers.

Printing, Publishing and Allied

Plant Classification - S.I.C. Number 28

Number of Companies - 125

Products - Commercial Printing

Free Trade could have a serious impact on larger commercial printers in Ontario and Quebec where the industry's largest printers are located. The loss of business to the highly competitive large American printers could force Ontario and Quebec printers to look to New Brunswick for sales. These printers are very competitive with New Brunswick large printers. The opportunities offered in the New England markets may outweigh the threat of increased competition from Quebec and Ontario.

The publishing industry has three sub-sectors, Newspapers, periodicals and books.

The largest and most important is the newspaper sub-sector. There is no trade as newspapers reflect the local/national nature of the product.

The periodical and book sub-sectors are very small and increased competition from Free Trade would have no meaningful impact. Trade free of tariffs is now in effect. Those interviewed in industry see little impact.

Non-Metallic Mineral Products

Mostly small shops (90 plus) for cement, concrete products, asphalt, glass, clay products, etc. Major exceptions are:

Domglass - manufacturer of glass bottles
Four thermopane glass manufacturers
Two reinforced concrete products manufacturers

Majority of firms are favorable towards FTA with opening of larger markets. Small local New Brunswick market will be of little interest to U. S. producers.

Tariffs eliminated January 1, 1989.

Chemical and Chemical Products

Plant Classification - S.I.C. Number 36 and 37
This includes 52, mostly small firms, for petroleum and coal products, chemicals, paint , soap and pharmaceuticals.

Three major exceptions support the Free Trade Agreement:

Producers of petroleum products, fertilizers, acids, chlorine and caustic soda support the Free Trade Agreement.

Majority of other firms serve local market and are either for The Free Trade Agreement or are neutral. Provincial exports to U.S. (1986) $381 million with possible increased sales due to the Free Trade Agreement. Overall benefits. Tariffs eliminated over 10 years.

Paper and Allied Products

Plant Classification - S.I.C. Number 27

Products - Converted paper products.

The food and beverage industry accounts for more than 50% of the market. Sales are confined to Atlantic Canada as the cost of shipping is high.

Material costs are 25 - 30% higher than in the U.S. American plants are more efficient with longer runs.

New Brunswick products in the U.S. would have a serious price disadvantage. Free Trade would compound the problem with low prices from the U.S. in an industry which has an over-production capacity. Tariffs are to be removed over 10 years. It is anticipated that increased competition would reflect in plant closures.

Rubber and plastics

Plant Classification - S.I.C. No 15-16
Number of Companies - 43
Eight of the manufacturers operate with state of the art technology and compete successfully in the U.S. Market. The elimination of tariffs will open doors to new opportunities. Free trade will be implemented over 10 years.

The manufacturers interviewed favor Free Trade.

Software Sector

The software companies in New Brunswick are unlikely to see any changes in their market since most software products produced locally for sale are designed to Canadian Standards for payrolls, employee deductions, Provincial and Federal taxes, etc. American software will still have to be customized which presents a natural barrier. Software products are duty free.

The following matrix consolidates the analysis of the previous sections and offers an explanation on negative and neutral effects.

Sub Sector		Pos.	Neg.	Neu.	Consumer Advantage
1.	Primary Metal	X			
2.	Transportation Equipment	X			
3.	Electrical/ Electronic	X			Greater xxxxxx and reduced costs
4.	Machinery Products	X			
5.	Metal Working Sector	X			Reduced Costs
6.	Leather and Allied	X			Reduced costs on low end products
7.	Primary Textiles	X			
8.	Sound and Video Recording	X			
9.	Opthalmic Lenses	X			
10.	Illuminated Signs	X			
11.	Musical Instruments	X			
12.	Dentures	X			
13	Non-Metallic Mineral	X			
14.	Rubber and Plastics	X			
15.	Software	X			
16.	Textile Products		A		
17.	Clothing		B		
18.	Printing Pub.& Allied		C		
19.	Chemical & Chemical Prod.		D		
20.	Paper and Allied		E		

A. Very localized market but could face strong U.S. competition in time.

B. While the major company could lower input costs other clothing is sold to upper Canadian distribution systems which would have to compete head on with the U.S. - this displacement of our satellite industries could occur. The 10 year phase-out is a positive element in the treaty.

C. The domino effect of the large American printers looking at the large central Canadian market could direct central Canadian printers to our Province. Our small printers would have to look at a North-South trading arrangement in this scenario.

D. Chemical industry is local and its views are somewhat neutral.

E. Paper and Allied sector is difficult to analyze in the short time frame. While gains or opportunities are expected to result in time with the production of added value to our pulp and paper industry, just how long these efficiencies will take to be passed on to this sub-sector is impossible to analyze.

Since our market is in reality small one can hope that it is too small for the larger American firms. This industry is under capacity and less efficient than others. These companies will need to improve in order to address the opportunities.

There is overall support for the Free Trade Agreement on the part of the Manufacturing Sector.

PROCESSING

Forest Products

The export of New Brunswick forest products to the United States totaled $518 million in 1986, representing 33.4% of our exports to that market.

Where tariffs are zero, New Brunswick plants are competitive and world scale. Where tariffs exist, our New Brunswick, and indeed, Canadian plants are generally scaled for Canadian domestic markets and are not internationally competitive.

New Brunswick cannot increase the volume of forest products that it currently exports since the forest is being utilized at the limit of its sustainable yield. Additional economic activity and employment can only be generated by further processing of the products that we currently sell.

All items without grade or standard barriers, and which are now duty free in both directions will not require a further comment as Free Trade will generally not affect them.

Pulp and Paper

Mechanical wood pulp, bleached market sulphite, semi bleached and bleached kraft pulp and kraft paperboard.

Number of Companies - 7

Duties - U.S. - Free / Canada - Free / Duty treatment - same

Our facilities are world class standard. The resource is limited, hence expansion potential for the aforementioned products is limited, however, due to the fact all of these products are further refined into finished products, many of which are currently dutiable, free trade will allow the products to be manufactured here. Several of the companies have indicated an interest in further processing.

Newsprint

Number of Companies - 2

Duties - U.S. - Free / Canadian - Free / Duty treatment - same

New Brunswick facilities are world class, currently competing on world markets. Free Trade will have little or no effect in this industry.

Fine Paper (coated)

Number of Companies - 1

Duties- U.S.- 2.5-4.0% / Canadian - 6.5% / Duty treatment 5 years.

New Brunswick facility is latest technology world class plant, currently competing on world-wide basis. U.S. tariffs have not had a negative factor and Free Trade will open opportunities for further processing of this product.

Plywood Veneered Panels - Non Structural Grades

Number of Companies - 1

Duties - U.S. 3-8% / Canadian 8-9.2% / Duty treatment 5-10 years

This facility currently under construction is a world class facility. Free Trade will be of significant benefit.

Wooden Pallets, Boxes, Crates, Cable Drums

Number of Companies - 5

Duties - U.S. - 16 2/3% / Canadian 9.2% to 15% Duty treatment 10 years

Our facilities are not world class facilities. Duties of 16 2/3% on pallets in particular eliminate any opportunity of export to U.S. Ample resource is available hence opportunity exists for expansion in this sector.

Waferboard - Particleboard

Number of Companies - 2

Duties - U.S. - 4% / Canadian - 4% - Duty treatment - 5 years

Free Trade will benefit the consumer. No significant benefit will be to either country. All manufacturing facilities are world class facilities. Further processed items (i.e. laminates, pre-cut components) have higher duties, hence, Free Trade will offer opportunities for further processing.

Windows, Frames

Number of Companies - 16

Duties - U.S. 9.2 - 12.5% / Canadian - 5.1% - Duty Treatment - 10 years

Free Trade will have a negative impact in our window industry. Only one plant would be considered a world class plant and competing on the international market. Free Trade will release the market to U.S. imports from large more efficient plants.

Hardwood flooring

Number of Companies - 4

Duties - U.S. - Free / Canadian - 5.5% - Duty Treatment - 10 years

No significant effect will be felt because of Free Trade. Currently 3 of 4 companies are competing in the international market and our plants in general are of world class.

Doors, frames and thresholds and Millwork

Number of Companies - 37

Duties - U.S. 7.5% - Canadian - 11.3% / Duty Treatment - 5 years

No New Brunswick companies are world class plants, serving a local market. Free Trade will have little effect on the market due to the proximity of the two tariffs. Opportunities do exist for New Brunswick Companies to expand market share into the U.S. and Free Trade may launch that initiative.

Shingles & Shakes

Number of Companies - 10

Duties - U.S. - Free / Canadian - Free / Duty Treatment - No Change

No expanded opportunities or constraints.

Coffins and Caskets

Number of Companies - 2

Duties - U.S. - 5.1% / Canadian - 15% / Duty Treatment -10 years

Little opportunity exists. Our factories are small and service a very local market. U.S. manufacturers are very large (1 major producer/Batesville), and currently compete in North American Market.

Wood Furniture and Fixtures

Number of Companies - 15

Duties - U.S. 2.5% / Canadian - 15% - Duty Treatment - 5 years

Two of our factories could be considered world class and are (or have been) selling internationally. Free Trade will allow U.S. imports into Canada, but our efficient plants can compete. Opportunities do exist for highly automated efficient plants in New Brunswick as we have the resource base to support them.

Cabinets, Casegoods including Kitchen Cabinets

Number of Companies - 11

Duties - U.S. 2.5% - Canadian - 15% / Duty treatment - 5 years

Several of our companies are world-class industries and currently trade in U.S. market. Efficient plants can compete in this market. Free Trade will have little effect on this sector.

Hardwood Lumber

Number of Companies - 7

Duties - U.S. - Free / Canadian - Free - Duty Treatment - Same

Free Trade will have no impact on this industry. New Brunswick's production facilities are not world class, however, opportunity does exist in further processing of this industry. Free Trade may be the impetus to get this developed.

Plywood (structural)

Duties - U.S. - 20% / Canadian - 15% - Duty Treatment - To be negotiated

New Brunswick has one structural plywood plant whose size is governed by the availability of resource, hence, the larger U.S. market would not be of benefit.

Special Consideration

Free Trade - Elimination of duties 20% U.S. and 15% Canadian will also not allow Free Trade due to a plywood "standards" differential. This has been addressed by supplemental agreements (January 2, 1988) which in itself creates problems.

Supplemental Agreement- CMHC is not a standards authority. New standards will be required to meet the "national building code". Before this is agreed, the National Building Code authority must address its minimum standard which is currently C.S.A. Standard 0151-M 1978.

Constraints - smaller than world class plant constrained by resource

Lower grade acceptable, hence, influx of cheaper Southern pine plywood from world class plants.

Opportunities- Large market in specialty plywoods

Softwood Lumber

Number of companies - 79

Duties - U.S. - Free / Canadian - Free / Duty treatment - Same

Free Trade has no effect on this sector. Approximately 60% of New Brunswick's production capability is from world class facilities. A major constraint is resource availability and our plant's, inability to expand. Opportunities exist in futher processing.

A 15% excise tax levied December 31, 1986 which has been an irritant to New Brunswick has now been removed. In future, the dispute settlement mechanism may be of assistance in this sector.

Minerals and Related Products

The exports of New Brunswick Minerals and Mineral Products to the United States was in excess of 66 million dollars in 1986, representing 4% of our exports to that market.

The Mineral Sector can be discussed under three main headings:

Metallics (Copper, lead, zinc, silver, antimony, bismuth, cadmium, gold)

Basically, all metals in the form of ore or concentrates have a tariff based on the contained metals at present which will be removed in 1989, while for further processed metals re: lead concentrate processed to lead pigs have a tariff of 3% of the value of lead contained, the tariff will be removed over a 10 year period.

The presently produced metallics are as follows:

Item	Canadian	U.S.	Duty Treatment
Silver Dore	10.2%	Free	5 years Canadian
Lead ores & Concentrates	Free	1.7¢/kg lead content	1989 (U.S.)
Lead (pigs)	Free	3% of value contained	10 years
Lead Alloys	6.8%	3% of value contained	10 years
Zinc (ores, concentrates)	Free	1.7¢/kg of zinc content	1989 (U.S.)
Copper(ores Concentrates)	Free	1.7¢/kg of copper content	1989 (U.S.)
Antimony (ores Conc.)	Free	Free	Stays
Cadmium (unwrought)	Free	Free	Stays
Cadmium (alloy)	10.2%	5.5%	5 years
Gold Dore	Free	Free	Stays

Non Metallics

(Peat, potash, silica, salt, sulphur and diammonia phasphate) -

The non-metallics with the exception of peatmoss and peat derived product carry no tariffs in or out of Canada and are as follows:

Item	Canadian	U.S.	Duty Treatment
Peat (moss & Mixes)	10.2%	Free	5 years
Peat (pots etc.)	6.8%	Free	10 years (Canada)
Sulphur	Free	Free	Free
Silica (Sand)	Free	Free	Free
Sulphuric Acid	Free	Free	Free
Silvite Carnallite	Free	Free	Free
Potassium Chloride	Free	Free	Free
Diammonium Phosphaite	Free	Free	Free
Salt (road grade)	Free	Free	Free

Structural Materials

(Clay cement, lime, dolomite, sand, gravel and stone)

The structural materials in general presently have no tariff on the raw resource but carry varying tariffs on processed products.

Item	Canadian	U.S.	Duty Treatment
Limestone	Free	Free	Free
Lime (quick)	Free	Free	Free
Lime (Slaked)	Free	Free	Free
Clay	Free	32.5¢/tonne	1989 (U.S.)
Cement	81.5¢/tonne	22¢/tonne	1989
Sand & Gravel	Free	Free	Free
Curbing stone	5.5%	4.2%	1989
Granite Bldg. stone	5.5%	4.2%	1989
Blocks & Bricks	5.%	4.9%	5 years
Granite (crude)	Free	Free	Free
Dolomite	4.%	Free	1989 (Canadian)
Dolomite (calcined)	9.2%	6%	1989

Opportunities

As noted from the above, any processing of our resources has resulted in higher tariffs for the products in the U.S.A. Thus, with the Schedule of removal this should add some impetus to further processing within the Province. Similarly, with regards to certain metals not presently produced, the removal of the tariffs may make marginal economics more favorable towards decisions to commence operations.

Some examples are:

Item	Canadian	U.S.	Duty Treatment
Tin (Ore & Concentrate)	Free	Free	Free
Tungsten (Ore & Concentrate)	Free	37.5¢/kg of metal content	1989 (U.S.)
Tungsten	9.2%	10%	5 years
Dolomite (magnesium oxides)	10.2%	4.9%	10 years
Rare Earths oxides & Metals	12.5%	70.5¢/kg	5 years
Gypsum Wallboard	9.4%	2.4%	10 years

In general, Free Trade will make the U.S. products more accessible to our resource producers and will allow further processing in the Province without a penalty to the producer. The industry has spoken out almost without exception in favour with Free Trade.

Problem Areas:

The only foreseeable problem area which may exist is in the building stone which would allow in-bound products to compete with in Province producers.

Basically, Mining in general is a world wide business, not dependent on single trade issues and presently Canada is normally in a "most favored nation" situation with the U.S. With the removal of tariffs, it will enhance our position even further in the mining sector.

Fish Processing

Plant Classification - S.I.C. Number 1020

Provincial Exports - 1986		$303 million
Provincial Exports to U.S.A. - 1986		$191 million
Firms - 1985		136
Employment	min - 2,314	max -13,488, 1985

- N.B. fishery more diversified than some other provinces in terms of species landed
- Processors primarily small and independent
- Just under 70% of all fish produced in the Atlantic region is exported to U.S.A.
- N.B. exports (000 $)

	1984	1986
Fish, fresh or frozen	33,845	43,515
Fish, preserved or canned	60,115	78,578
Shellfish	118,006	181,278

Most of these products were treated as duty free items prior to this agreement. The bulk of product subject to duty will be exempt at the advent of Free Trade and the rest of the duties mainly on molluscs and crustaceans products will be phased out over 5 or 10 year period.

The tuna plant will benefit under the country of origin and 50% value added requirement.

The aquaculture industry will benefit due to the 5 year phase out of the 3% duty presently imposed on its product.

The phasing out of duties on more highly processed fish products, i.e. fish sticks or breaded or battered portions, prepared meals or preserved fish product will offer opportunities to New Brunswick fish processors and will be welcomed by the industry.

Pelagic

(herring, mackerel, tuna, trout, etc.)

Fish, fresh or chilled, fresh fillets, frozen
U.S. - Free to 4.134/kg
Canada - Free
Duty Treatment - Free-1989

*4.134¢/kg duty on fresh or chilled fish fillets and other meats to be reduced over 5 year period

Canned, preserved, salted, smoked
U.S. - Free to 5%
Canada - Free
Duty Treatment - Free - 1989

Prepared or preserved fish,
Caviar and caviar substitutes prepare from fish eggs
U.S. - Free to 35%
Canada - Free to 17.5%
Duty Treatment - Reduced over 5-10 year period

* 35% duty removal on tuna over 10 years would allow production of tuna product in oil as well as water, and target such product for export. Presently only using water for Canadian market.

Maximum 15% duty on fish sticks and breaded/battered products and prepared meals as well as 15% duty on other to be reduced over 10 year period.

Ground fish (sole, cod, flat fish)

fish, fresh or chilled, fresh fillets, frozen
U.S. - 1.1¢/kg
Canada - Free
Duty Treatment - Free - 1989

Canned, preserved, salted, smoked
U.S. - Free to 5%
Canada - Free
Duty Treatment - Free - 1989

Prepared or preserved fish, caviar and caviar substitutes, prepared from fish eggs

U.S. - Up to 15%
Canada - Free to 17.5%
Duty Treatment - Reduced over 10 year period

* Maximum 15% duty on fishsticks and breaded/battered products and prepared meals as well as 15% duty on others to be reduced over 10 years.

Molluscs (Clams, mussels, oysters, etc.)

Whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine, aquatic invertebrates, other than crustaceans or molluscs, live, fresh, chilled, frozen, dried, salted or in brine

U.S. - Free to 5%
Canada - Free to 5%
Duty Treatment - Free 1989

Crustaceans (crab, lobster, shrimp, etc.)

Whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; Crustaceans in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine

U.S. - Free to 7.5%
Canada - Free to 8%
Duty Treatment - Free 1989

Opportunities

Generally speaking, the industry is supportive of Free Trade and the reduction of duties on further processed products should encourage further value added processing in the Province.

The Free Trade Agreement should also assist the aquaculture industry.

Constraints

Technical non-tariff barriers may be of some concern however, the Free Trade Agreements provides for negotiations between the two countries with the aim of standardizing.

These negotiations, by their nature, will be extensive and very long term.

Fruit and Vegetables

Plant Classification - SIC Number 1031, 1032

Overview

Provincial Shipments - 1986	NA
Provincial Exports - 1986	$26,369,617
Provincial Exports to U.S.A. - 1986	3,566,200
Firms - 1986	29
Employment - 1986	min 1363 max 2847

Opportunities: Potential exists for expansion of frozen product market in the U.S.

Problems: Penetration of the U.S. market is difficult as brand loyalty and consumer awareness of American product are large factors in the American consumer's buying pattern. Marketing strategy and expense as well as the existing economies of scale and longer growing season of the U.S. are factors that will make this large market difficult to access. In addition an FTA will introduce strong competition in the domestic market; domestic growing condition and costs, and costs of production contribute to higher priced condition producer.

The provision in the agreement - dealing with citrus products having a provision for maintaining implementation of drawback payments would not affect the frozen juice concentrate business as this product is not shipped into the U.S., and no duty presently exists on orange juice concentrate entering Canada. There is a potential problem with respect to cheese and pizza in Ontario. While this situation does not impact on New Brunswick, comment is offered here.

American cheese is significantly cheaper than the Canadian product, primarily due to the difference in the price of raw milk between the two countries. Pizzas, which use a good deal of cheese, can be brought in from the U..S. more cheaply than they can be made here, as tariffs are eliminated. This could cause problems unless:

- they gained access to the cheaper U.S. raw milk and or cheese -
- they were allowed to buy raw milk in Canada at an equivalent price to that in the U.S., and in greater volume.

Vegetables Frozen

Fiddleheads	
U.S.	- 10% (10 years)
Canadian	- 15% (10 years)
Peas	
U.S.	- 4.4¢/kg. (10 years)
Canadian	- 15% (10 years)
Broccoli	
U.S.	- 25% (10 years)
Canadian	- 20% (10 years)
Brussel Sprouts	
U.S.	- 12.5% (10 years)
Canadian	- 20% (10 years)
French Fries	
U.S.	- 10% (10 years)
Canadian	- 10% (10 years)
Green Beans	
U.S.	- 7.7%/kg. (10 years)
Canadian	- 15% (10 years)
Corn	
U.S.	- 17.5% (10 years)
Canadian	- 15% (10 years)
Strawberries	
U.S.	- 14% (10 years)
Canadian	- 15% (10 years)
Pies	
U.S.	- Free
Canadian	- 15.5% (10 years)
Desserts	
U.S.	- Free
Canadian	- 5% (10 years)

MEAT AND POULTRY PROCESSORS

Plant Classification - SIC Number 1101, 1012

Provincial Shipments - 1984	$136 million
Provincial Exports - 1986	$2 million
Provincial Exports to U.S.A. - 1986	$388,691
Employment - 1986 900 min. 1,000 max.	

This sector includes all firms which process beef, pork, mutton, lamb, chicken, turkey and fowl.

The agreement provides for maintenances of supply management programs. and import quota systems deemed essential for the survival of our poultry industry. Canada has also retained the right to add to its import control list such poultry products not now listed.

The provisions for the feed industry will ensure lower cost raw materials to our beef and pork industry. There should be more imports of high quality beef cuts, processed and unprocessed, where transportation costs can be offset.

For lower value products there will be little disruption. Meat products are produced often under a small margin of profit that can be used up readily when a firm attempts to break into a market or incurs high transportation cost in servicing these markets.

There may be opportunities for some specialized meat products (i.e. sausage, chicken fricot) to develop and expand into the American market.

Meat Products

Swine, fresh chilled or frozen

- Carcasses and half carcasses
- hams, shoulders and cuts thereof with bone in;

U.S.	- free
Canadian	- free
Trade Treatment	- same

if processed

U.S.	- 2.2¢/kg.
Canadian	- 2.21¢/kg
Trade Treatment	- 5 years

- other than processed

U.S.	- free
Canadian	- free
Trade Treatment	- same

- other than hams, shoulders and cuts thereof;

if processed

U.S.	- 2.2¢/kg.
Canadian	- free
Trade Treatment	- 5 years

other than processed

U.S.	- free
Canadian	- free
Trade Treatment	- same

Bovines; fresh chilled or frozen

- carcasses and half carcasses

U.S.	- 4.4¢/kg.
Canadian	- 4.41¢/kg.
Trade Treatment	- 10 years

- other cuts with bone in; processed - high quantity beef cuts

U.S.	- 4%
Canadian	- 4.41¢/kg.
Trade Treatment	- 10 years

- other than high quality beef cuts but processed

U.S.	- 10%
Canadian	- 4.41¢/kg
Trade Treatment	- 10 years

other

- U.S.	- 4.4¢/kg.
- Canadian	- 4.41¢/kg
- Trade Treatment	- 10 years

Boneless

processed - high quality beef cuts

U.S.	- 4%
Canadian	- 4.41¢/kg.
Trade Treatment	- 10 years

- other than high quality beef cuts, but processed

U.S.	- 10%
Canadian	- 4.41¢/kg.
Trade Treatment	- 10 years

other than processed

U.S.	- 4.4¢/kg.
Canadian	- 4.41¢/kg.
Trade Treatment	- 10 years

Poultry- meat and edible offal fresh chilled or frozen
chicken

- not cut in pieces

U.S.	- 11¢/kg.
Canadian	- 12.5% (11.02¢-22.05¢/kg.)
Trade Treatment	- 10 years

- poultry cuts

U.S.	- 22¢/kg.
Canadian	- 12.5% (11.02-22.05¢/kg.)
Trade Treatment	- 10 years

- livers

U.S.	- 22¢/kg.
Canadian	- free
Trade Treatment	- 10 years

Sausage and Similar Products

- pork

U.S.	- 1.3¢/kg.
Canadian	- 1.32¢/kg.
Trade Treatment	- free - 1989

other

U.S.	- 5 %
Canadian	- 2.21¢/kg.
Trade Treatment	- free - 1989

Beverages

Plant Classification - S.I.C. Number 11

Overview:

Provincial Shipments - 1984	$146 M
Provincial Exports - 1986	$ 41,947,637
Provincial Exports to U.S.A. - 1986	$ 41,283,447
Firms - 1987	13
Employment - 1987 min. 812 max. 1058	

. Standard Industrial Classifications covered 1091/92/93/94

While New Brunswick has a large beverage sector, most will be unaffected by the Free Trade Agreement. Breweries are exempt from the Agreement; Soft drink producers are franchises who purchase territory from their franchisor; The only spirits blending and bottling operation will be closed by the time the Agreement comes into effect.

However, New Brunswick has one established wine blending and bottling operation and another soon to be established in the Province. Due to the distribution systems in place in the U.S., these operators will find it difficult to deal in this market while American wines will have easy access to our markets. These operators feel that what they lose to the U.S. competition, they may be able to make up on a regional basis through the elimination of interprovincial trade barriers. It is felt that New Brunswick's provincial neighbors have been more restrictive towards other provinces products than has New Brunswick. The New Brunswick Liquor Corporation may be justified on a commercial basis in charging imported wines a 15% mark-up differential based or administrative costs, customs and storage costs for these products. If the corporation does charge this mark-up on these imports, the New Brunswick operations will have a better chance of maintaining their present markets.

Beer (from malt)

U.S.	-	1.6¢/l.
Canadian	-	3.30¢/l.
Trade Treatment	-	10 years

Wine (of fresh grapes including fortified, sparkling wine)

U.S.	-	30.9¢/l.
Canadian	-	44¢/l.
Trade Treatment	-	10 years

Other Wine (Not over 14% alcoholic content

Containers holding 2 liters or less		
U.S.	-	9.9¢/l.
Canadian	-	4.40¢/l.
Trade Treatment	-	10 years

Containers holding more than 2 litres		
U.S.	-	9.9¢/l.
Canadian	-	4.40¢/l.
Trade Treatment	-	10 years

Waters (including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored

U.S.	-	.3¢/l.
Canadian	-	17.5%
Trade Treatment	-	10 years

Dairy Products

Plant Classification - S.I.C. 104

Overview

Provincial Shipments - 1986	$55.6 million
Provincial Exports - 1986	$ 3,351,796
Provincial Exports to U.S.A. - 1986	Nil
Firms - 1986	10
Employment - 1986 Min 525	Max 658

Products

Fluid Milk		
U.S.	-	0.5¢/l.
Canadian	-	17.5%
Trade Treatment	-	10 years

Skim Milk Powder		
U.S.	-	3.3¢/kg.
Canadian	-	7.72¢/kg
Trade Treatment	-	10 years

Butter		
U.S.	-	12.3¢/kg
Canadian	-	26.46¢/kg
Trade Treatment	-	10 years

Cheese (Cheddar)		
U.S.	-	16%
Canadian	-	6.61¢/kg
Trade Treatment	-	10 years

Ice Cream
U.S. - 20%
Canadian - 15.5%
Trade Treatment - 10 years

Cream Products (fluid)
U.S. - 3.2¢/l.
Canadian - 17.5%
Trade Treatment - 10 years

Fruit Juices (Concentrates)
U.S. - 9.25¢/l. (10 years)
Canadian - Free

Bottled Water (Natural)
U.S. - Free
Canadian - 10.2%
Trade Treatment - 10 years

Vegetable Oil (corn)
U.S. - 3.3¢/kg.
Canadian - 15%
Trade Treatment - 10 years

Coconut oil
U.S. - Free
Canadian - 17.5% (10 years)

Opportunities

Opportunities for growth that exist as a result of tariff removal on product exported to the U.S. are extremely limited in the dairy industry. A provision exists in American legislation which allows for dairy imports to the U.S. to be banned, should it be judged that such products may potentially lead to reduced milk production in the U.S.

Problems

As long as the present situation exists (i.e. supply management) no trade in fluid milk can take place; we can not compete with the U.S. whose raw fluid milk price is much cheaper than ours. Similarly, cheese must remain on the import control list as the American product is able to be produced more cheaply.

A request has been put forward for ice cream and yogurt to be added to the import control list; at present the U.S. can bring such product into Canada but we are not permitted to export it to the U.S.

As long as fluid milk can not cross borders, and ice cream and yogurt are added to the import control list, Dairies should not have a major problem, as the situation should remain as it is presently.

Bakery

Plant Classification - S.I.C. 1071, 1072

Overview

Provincial Shipments - 1986	$17.5 million
Provincial Exports - 1986	$962,361
Provincial Export to U.S.A. - 1986	$845,018
Firms - 1986	55
Employment - 1986	min-782 max-971

The bakery sector in the province serves mainly a provincial and regional market. Bakeries in both countries are limited as to the distance they can travel with fresh product. It is expected that the Canadian two-price wheat system will be eliminated over time, yielding consumer benefits.

Bakery Products

Bread (leavened)
- U.S. - free
- Canada - free
- Trade Treatment - same

Bread (other) - not exceeding 11.34kg.
- U.S. - free
- Canada - 10%
- Trade Treatment - 10 yrs.

Bread (other) - exceeding 11.3 grams
- U.S. - free
- Canada - 7.5%
- Trade Treatment - 10 yrs.

Biscuits
- U.S. - free
- Canada - 5%
- Trade Treatment - 10 yrs.

Rolls (other than spring rolls and stuffed bread dumplings)
- U.S. - free
- Canada - 8.8%
- Trade Treatment - 10 yrs.

Pastries, Pies, Puddings, Cakes
- U.S. - free
- Canada - 15.5%
- Trade Treatment - 10 yrs.

Feed Industry

The agreement should not alter the flow of grain products substantially unless one of the two parties decides to alter their grain support programs. Some sources of raw material supply may be altered in time but the distribution of feedmills restricted to areas of livestock production and the area serviced by these mills is restricted due to transportation costs. Therefore no changes are expected as to imports or exports of these products. Transportation costs have always been and will continue to be the limiting factor for development or changes within the industry.

Cereal Groats, Meals and Pellets

Groats and Meals
of wheat
- U.S. - 1.1¢/kg.
- Canada - $5.62/tonne
- Trade Treatment - 10 yrs.

Groats and Meals
of oats
- U.S. - 1.8¢/kg.
- Canada - $11.02/tonne
- Trade Treatment - 10 yrs.

Groats and Meals
of corn (maize)
- U.S. - .66¢/kg.
- Canada - $4.50/tonne
- Trade Treatment - 10 yrs.

Groats and Meals
of rice
- U.S. - .2¢/kg.
- Canada - free
- Trade Treatment - 10 yrs.

Groats and Meals
of other cereals
- U.S. - 20%
- Canada - 7.9%
- Trade Treatment - 10 yrs.

Pellets
of wheat
- U.S. - free
- Canada - 8.5%
- Trade Treatment - 10 yrs.

Pellets
of other cereals
  U.S. - free
  Canada - 8.5%
  Trade Treatment - 10 yrs.

Soybeans (whether or not broken)
  U.S. - free
  Canada - free
  Trade Treatment - stays

Confectionery

Plant Classification - S.I.C. 1083

Overview

Provincial Shipments - 1986	N/A
Provincial Exports - 1986	N/A
Provincial Exports to U.S.A. - 1986	N/A
Firms - 1986	3
Employment - 1986 Min 250	Max 328

Refined Sugar
U.S. - 1.4606¢/kg (10 years)
Canadian - $30.86¢/tonne
U.S. (less 0.020668 ¢/kg for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.943854 ¢/kg

Molasses
U.S. - 0.77¢/1. (10 years)
Canadian - $1.57/tonne (10 years)

Chocolate Bars
U.S. - 7% (10 years)
Canadian - 12.5% (10 years)

Other Chocolate Candy
U.S. - 7% (10 years)
Canadian - 12.5% (10 years)

Candied nuts
U.S. - 6% (10 years)
Canadian - 15 1/2 (10 years)

Licorice
U.S. - 7.9% (10 years)
Canadian - 16.7% (10 years)

Toffee
U.S. - 12.2% (10 years)
Canadian - 16.3%

N.B.-All duties on this page removed in 10 years.

Opportunities

The expansion of the New Brunswick confectionery industry is dependent on many factors, one of which is the input cost of sugar. Our firms have traditionally supplied the Canadian market, protected by high tariff levels, and by utilizing low cost, world priced sugar.

The U.S. producers, due to their protective sugar marketing system, have traditionally produced for their domestic market with high priced, domestic beet sugar, while operating a waiver system and getting access to cheap cane sugar for their exports.

Provisions of the Free Trade Agreement will eliminate the duty waiver system, thereby giving the Canadian product a sugar cost advantage in both the domestic and U.S. markets.

Another factor of advantage to our producers is the fact that the entire U.S. market will be accessible on a tariff free basis, and as well, allows access to all production machinery and import raw materials on a tariff free basis.

Potential Problem Areas

There exist a number of potential problem areas which may restrict the new opportunities resulting from the Free Trade Agreement.

U.S. Sugar Quota System: The U.S. operates a "near supply management" system for its beet sugar growers. Its system provides for a GATT sanctioned quota program, effectively raising its sugar prices to above world levels. While this system affects only sugar, it also has the ability to impose quotas on sugar containing products like confectionery. It does not at present have confectionery under quota, nor is it likely to, considering the fact that the U.S. exports more confectionery to Canada than Canada exports to the U.S.

If the U.S. did impose quotas on confictionery (consistent with GATT), it would have to respect historical sales from other countries including those from Canada. The uncertainty may, however, affect the long range plans of our processors.

Supply Managed Input Costs: There are certain input costs for certain Canadian products which are higher than similar U.S. costs. These products are those that would require milk products or egg products. This will not change as a result of the Free Trade Agreement, although this disadvantage may be partially or completely offset by the Canadian advantage on sugar.

Market Penetration: The U.S. market is a diverse and competitive one that poses difficulties for new entrants. The existing national brands are well entrenched and it would prove very difficult to displace them. The opportunities may well present themselves, however, in the regional or speciality market niches, which lend themselves to small, efficient and flexible producers.